State Laws Dealing with End-of-Life Vehicles and NMVTIS

Steve Levetan
Executive Vice President
What happens to all those old cars?

(not the “salvage title” cars)
• Quick tour of Pull-A-Part
• Brief Discussion of End-of-Life vehicles
  • How Many
  • Sources
  • Disposition
    • Auto Salvage
    • Scrap Recycler
    • Individuals and Exporters
• NMVTIS
• State Laws
• Dialogue
Quick Photo Tour
We’re not what you think...
Do-It-Yourself
Pull-A-Part
USED AUTO PARTS

26 Locations*

*and growing!
America’s Premier Do-it-Yourself Used Auto Parts Retailer

Cleveland, OH
Please feel free to visit us, anytime
• Up to 14 million vehicles scrapped in US annually
  • Hundreds of Thousands of cars scrapped in each State (Many still unaccounted for)

• Sources – Two major categories:
  Late Model
  Older “End-of-Life” or “Junk”
Late Model

- Insurance Salvage (accident) Vehicles
  - Typically sold through auctions ("salvage pools" CoPart / IAA) to:
    - Full Service Auto Recyclers
    - Self Service Auto Recyclers

End-of-Life (10+ years old)

- Used Parts Recyclers (full and self service)
- Scrap Recyclers / crushers
- Shredders
Auto Parts Recycler (Salvage/Dismantler) – Full Service Sector

- Buys cars primarily from Salvage Pools, but also from other sources – **Most with Salvage Title**

- Stores vehicles for later parts removal
  Inventory may be whole/damaged cars, or

- Dismantles vehicles, removing salable parts
  Inventory consists of parts ready for sale

- Sells parts to individuals, body shops, garages, internet
  Often networked inventory

- Ultimately, remainder of vehicle is crushed/sold to Shredder for scrap
• Vehicles purchased from a variety of sources

• Vehicles typically older, end-of-life (as opposed to Insurance salvage) – **Much Lower Value (Scrap)**

• Vehicles rarely (if ever) resold as vehicles

• Customers are individuals, body shops and garages. Caters to do-it-yourself market

• After parts removed, vehicles typically crushed

• Crushed vehicles sold to shredders, as scrap
• Every End-of-Life vehicle ultimately ends up at a Shredder
  • May or may not go to Parts Recycler first
  • May or may not go to a Scrap Recycler/Crusher first
  • Often crushed or shredded shortly after receipt
  ➢ Why?
• Since these vehicles are purchased for scrap value only, there is no care taken in unloading/storage
Scrap Recyclers vs. Parts Recyclers

• Parts Recycler purchases for value of **parts plus scrap**
• Scrap Recycler purchases for **scrap value only**
• Both may buy “whole cars” and that purchase **must** be treated the same under the law
• Crushed cars (mechanically flattened) are no longer “motor vehicles”
  • Why are cars “flattened?”
  • Watch for “cross-over” between industries
NMVTIS – Applicable to both parts and scrap recyclers

Part of the Anti-Car Theft Act of 1992
*Promptly* Implemented by DOJ in 2009 (after Court Order)
Rules were quickly implemented

NMVTIS is a National Title Data Base To combat:

- Title Fraud (Title Washing)
- Auto Theft
- Vin Cloning
- Consumer Fraud
- Odometer Fraud
National Motor Vehicle Title Information System – NMVTIS

A “simple” system
State Laws Regarding EOL Vehicles

Theory
Every car should always have a title

Reality
Often not the case with older, end-of-life cars (2/3 of total)
Title lost, misplaced, traded/sold multiple times
Owner will not go through process to get a title (if they can) to then sell for scrap price

Alternative
Create lawful mechanism for sale of these cars for scrap or parts only, to legitimate parts or scrap recyclers, providing clear paper trail for LE and DMV, or…
Other Alternative:
Cars sold illegally – “crusher” or chop shop
(no record to cancel title or assist LE)

Sell out of state (same problem as above)

Leave sitting in yard (nuisance, or worse)

Abandon on public property or private property
(costs taxpayer or private property owner)
Solution:
Create legitimate means of sale

Affidavit in lieu of title
NY – many years ago
8 year and older and value less than $1,200
affidavit sent to the State to cancel title

Approach now copied in many states with variations
GA, FL, AL, TN, LA, MS, NC, SC, IA
Some work better than others

Does not lead to increased theft of older vehicles
NC G.S. 20-62.1 (amended in 2013)
Applicable to cars 10 years old and older only for scrap or parts and only by secondary metals recycler or salvage yard
Affidavit (includes info on seller, buyer, and vehicle and copy of seller’s drivers license/ID
Records retained by recycler
Online stolen check at time of purchase – provides info to State
Falsification of records (by buyer or seller) is crime 1st offense misdemeanor, then felony
Enforcement tool – Tow Truck subject to forfeiture
There Must be Consequences
## 25 Months

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</thead>
<tbody>
<tr>
<td><strong>Total Hits</strong></td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Hits At The Time Of Purchase</strong></td>
<td>5</td>
<td>50%</td>
<td>11</td>
<td>41%</td>
<td>379</td>
<td>42%</td>
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<td><strong>Delayed Hits</strong></td>
<td>5</td>
<td>50%</td>
<td>16</td>
<td>59%</td>
<td>519</td>
<td>58%</td>
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<td><strong>Total Recovered Vehicles</strong></td>
<td>8</td>
<td>80%</td>
<td>19</td>
<td>70%</td>
<td>526</td>
<td>59%</td>
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<tr>
<td><strong>L&amp;T Bureau Recovered Vehicles</strong></td>
<td>5</td>
<td>50%</td>
<td>14</td>
<td>52%</td>
<td>160</td>
<td>18%</td>
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<td><strong>Other Agency Recovered Vehicles</strong></td>
<td>3</td>
<td>30%</td>
<td>5</td>
<td>19%</td>
<td>63</td>
<td>7%</td>
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<tr>
<td><strong>Vehicles Crushed Prior to Identification</strong></td>
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<td>20%</td>
<td>6</td>
<td>22%</td>
<td>245</td>
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<tr>
<td>*<strong>False Positive Hits</strong></td>
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<td>0</td>
<td>0%</td>
<td>45</td>
<td>5%</td>
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<tr>
<td>**<strong>Purged Thefts</strong></td>
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<td>0%</td>
<td>0</td>
<td>0%</td>
<td>9</td>
<td>1%</td>
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<td><strong>Under Investigation</strong></td>
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<td>0%</td>
<td>2</td>
<td>7%</td>
<td>84</td>
<td>9%</td>
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<td><strong>Charges</strong></td>
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<td>0%</td>
<td>2</td>
<td>7%</td>
<td>159</td>
<td>18%</td>
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### Vehicles Entered Into The System

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<tr>
<th>Dec-15</th>
<th>Jan-16</th>
<th>Feb-16</th>
<th>Mar-16</th>
<th>Apr-16</th>
<th>May-16</th>
<th>Jun-16</th>
<th>Jul-16</th>
<th>Aug-16</th>
<th>Sep-16</th>
<th>Oct-16</th>
<th>Nov-16</th>
<th>Total</th>
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<tr>
<td>6,079</td>
<td>6,852</td>
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<td></td>
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<td>12,931</td>
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**Total Vehicles Entered Since December 1, 2013**: 314,659

### Number Of Businesses Registered

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<th>Dec-15</th>
<th>Jan-16</th>
<th>Feb-16</th>
<th>Mar-16</th>
<th>Apr-16</th>
<th>May-16</th>
<th>Jun-16</th>
<th>Jul-16</th>
<th>Aug-16</th>
<th>Sep-16</th>
<th>Oct-16</th>
<th>Nov-16</th>
<th>Total</th>
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<tr>
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<td>551</td>
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<td></td>
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<td>551</td>
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.28%
State Laws Regarding EOL Vehicles

Georgia  40-3-36, O.C.G.A.

- Applicable to cars and trailers 12 years old and older only for scrap or parts and only by secondary metals recycler or Used Motor Vehicle Parts Dealer
- Value $850 or less than $1,700 if a trailer
- Signed Statement includes info on seller, buyer, and vehicle and copy of seller’s drivers license/ID – must include buyer’s NMVTIS ID number
- Title sent to the State within 72 hours
- Falsification of records (by buyer or seller) is felony
Additional Changes in Georgia

- Reporting – in 2011, Georgia became first State in US to require reporting of all NMVTIS data electronically to the State to create database for LE, and then require MVD to report the data to NMVTIS on behalf of Scrap/Parts purchaser (“JSI”),
  - Innovative and cost effective implementation by State – Contract with Auto Data Direct (ADD)
  - ADD did all system development
  - Scrap/Parts Recyclers electronically report to ADD within 48 hours, at no cost (Improves Compliance)
  - ADD sends info to State for title cancellation and to NMVTIS to comply with Federal requirements
Additional Benefit in Georgia

• DOR/GBI is checking each car reported daily against Stolen (NCIC)
• Cars continue to be checked for “late hits”
• Reporting LE agency (ORI) is notified

• Benefit to every agency as no longer necessary to check individual cars against NMVTIS – fully automated

• Also, ADD will check for duplicate reports for same VIN as “scrapped” (Identifies issues of VIN Cloning)

• ADD providing list of reporting entities to LE
• ADD providing list of VINs reported by Recycler for purpose of audits and online access to data
Atlanta Police Department Took Leadership Role

- In cooperation with Scrap and Auto Recyclers, advocated for system to check all of the vehicles reported to the Department of Revenue for stolen.

- Proof of Concept - 265,970 Records collected from July 1, 2012 until April 30, 2014 were checked.

- 730 of the records showed alerts that needed to be checked by law enforcement (.27%)
HB 1043 passed in 2015
- Maintains the ability to buy cars 12 years and older without title
- Consensus bill (State/Industry/LE) – Adds important provisions:
  - Mandates reporting of junk/salvage/scrap vehicles to State
  - Requires State to report information to NMVTIS on behalf of scrap or auto recycler
  - Allows State to contract with a NMVTIS data consolidator to develop and operate system (like GA)
  - Adds substantial penalties for non-compliance, enforceable by State or local LE (with split of penalties between State and Local agencies)
  - Enables State to do online stolen check (like NC and AL)
Alabama

- Allows purchase of cars 12 years and older without title
- Must be entered into real-time online system, operated by MVD, to verify not stolen and no liens
- System prints statement for seller to sign
- State cancels title
- Must have NMVTIS ID to use system, but currently State does not report to NMVTIS on behalf of recycler
- Caused confusion – State has all necessary information to report
- State has repeatedly indicated that they are willing and able to report
- Still in discussion/negotiation with NMVTIS operator
Other States Similar Laws

- South Carolina
- New York
- Mississippi
- Indiana
- Louisiana
- Tennessee
- Alabama
- Kentucky
- Missouri
- Ohio
- Iowa
Bottom Line?

• Only 1/3 of cars Scrapped/Salvaged go through “traditional” Salvage Auctions
• Up to 8 million cars each year scrapped/salvaged as “end-of-life”
• We must capture data on these vehicles
  • “de-title”
  • Law Enforcement (stolen check and VIN Cloning)
• State Laws we’ve discussed WORK
  • Higher Compliance
  • Electronic Data Transfer – State/NMVTIS
States and Recycling Industry should work together to:

- Make NMVTIS reporting a State level requirement
  - Tie to licensing/affidavits
  - Enforceable at State level – It Works!
- Ease of Use of NMVTIS for LE
  - Shorten reporting time (from current 30 days)
- Electronic reporting to State as recently added in GA, AL, TN and NC
- More useful/timely information
- Eliminate dual reporting (State/Federal)

Improve Communication –
  Ongoing State/Local Task Force w/ Industry
For More Information

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